

Message Text

CONFIDENTIAL

PAGE 01 KUWAIT 01205 281611Z
ACTION NEA-10

INFO OCT-01 ISO-00 SOE-02 AID-05 CEA-01 CIAE-00
COME-00 DODE-00 EB-08 DOE-11 H-01 INR-10 INT-05
L-03 NSAE-00 NSC-05 OMB-01 PM-05 USIA-06 OES-07
SP-02 SS-15 STR-07 TRSE-00 ACDA-12 PA-01 /118 W
-----063848 010018Z /66

R 281401Z FEB 78
FM AMEMBASSY KUWAIT
TO SECSTATE WASHDC 0326

C O N F I D E N T I A L KUWAIT 1205

E.O. 11652: GDS
TAGS: ENRG, KU
SUBJ: PRELIMINARY REACTION OF OIL MINISTER TO AMINOIL REQUEST
FOR ARBITRATION

1. DURING AN INITIAL CALL FEB. 28 ON SHAIKH ALI KHALIFA
AL-SABAH IN HIS NEW CAPACITY AS OIL MINISTER, I SOLICITED
HIS VIEWS ON A NUMBER OF OIL-RELATED SUBJECTS, (SEE SEPTTEL)
AMONG WHICH WAS THE CURRENT GOK POSITION ON AMINOIL COMPENSATION.
I NOTED THAT AMINOIL HAD REQUESTED ARBITRATION UNDER THE 1948
AGREEMENT (ONLY AGREEMENT IT CONSIDERS LEGALLY VALID
BECAUSE 1973 AGREEMENT WAS NOT RATIFIED BY NATIONAL
ASSEMBLY) AND HAD ALREADY APPOINTED AN ARBITRATOR.

2. OIL MINISTER INDICATED THAT HE WAS NOT ADVERSE TO IDEA
OF ARBITRATION BECAUSE HE FELT THAT GOK HAD STRONG CASE.
HE BELIEVED ARBITRATORS WOULD RULE IN KUWAIT'S FAVOR
TO THE TUNE OF REQUIRING AMINOIL TO PAY FROM \$120 TO \$180
MILLION TO SETTLE ACCOUNTS.

3. ALI KHALIFA SAID THAT HE HAD NOT HAD AN OPPORTUNITIY
TO REVIEW THE MATTER IN DETAIL SINCE TAKING OVER THE
OIL MINISTRY. HE WOULD FIRST WANT TO CONSULT WITH US AND UK
LAWYERS ON THE GOK'S CHANCES FOR FAVORABLE RULING.
CONFIDENTIAL

CONFIDENTIAL

PAGE 02 KUWAIT 01205 281611Z

WHAT ALSO CONCERNED HIM, HOWEVER, WAS WHETHER AMINOIL
WOULD PAY UP IF ARBITRATION WENT AGAINST IT. I SUGGESTED
THAT, GIVEN THE REPUTATION OF A COMPANY LIKE AMINOIL AND
PARTICULARLY ITS PARENT CORPORATION, R.J. REYNOLDS, I
WOULD BE VERY SURPRISED IF A DECISION RENDERED UNDER
RESPONSIBLE ARBITRATION WOULD NOT BE ACCEPTABLE.

4. I RECALLED RECENT PRESS REPORTS INDICATING THAT THE COMPENSATION COMMITTEE ON AMINOIL NATIONALIZATION HAD SUBMITTED ITS REPORT AND INQUIRED AS TO ITS CONCLUSION. ALI KHALIFA REPLIED THAT THEY CONCLUDED AMINOIL OWED THE GOK MONEY. WHEN I PRESSED HIM FOR FURTHER DETAILS, SUCH AS WHETHER BOOK OR FAIR MARKET VALUE WERE USED AS BASIS FOR THE COMPENSATION COMMITTEE'S CONCLUSIONS, THE OIL MINISTER DECLINED TO COMMENT ON GROUNDS THAT CASE MAY WELL BE SUBMITTED TO ARBITRATION. (A SENIOR OFFICIAL OF THE KUWAIT WAFRA OIL COMPANY INFORMED ME THAT THE COMPENSATION COMMITTEE HAD REACHED AN ESTIMATE IN THE NEIGHBORHOOD OF \$9 MILLION AS COMPENSATION FOR THE VALUE OF AMINOIL PROPERTY, WHICH SUGGESTS THAT THE NET BOOK VALUE BASIS WAS EMPLOYED. IN ANY EVENT, ALI KHALIFA SAID THAT HE WOULD HAVE TO GIVE THIS**I-*6

CONFIDENTIAL

NNN

Message Attributes

Automatic Decaptioning: Z
Capture Date: 01 jan 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: ARBITRATION, PETROLEUM INDUSTRY, GOVERNMENT REACTIONS
Control Number: n/a
Copy: SINGLE
Draft Date: 28 feb 1978
Decaption Date: 20 Mar 2014
Decaption Note: 25 YEAR REVIEW
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 20 Mar 2014
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1978KUWAIT01205
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: GS
Errors: N/A
Expiration:
Film Number: D780092-1030
Format: TEL
From: KUWAIT
Handling Restrictions:
Image Path:
ISecure: 1
Legacy Key: link1978/newtext/t1978024/aaaaadfe.tel
Line Count: 79
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: dcdea2d4-c288-dd11-92da-001cc4696bcc
Office: ACTION NEA
Original Classification: CONFIDENTIAL
Original Handling Restrictions: ONLY
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators: n/a
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: ONLY
Reference: n/a
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags: ANOMALY
Review Date: 27 jun 2005
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 3557237
Secure: OPEN
Status: NATIVE
Subject: PRELIMINARY REACTION OF OIL MINISTER TO AMINOIL REQUEST FOR ARBITRATION
TAGS: ENRG, KU, AMINOIL, (AL-SABAH, KHALIFA ALI)
To: STATE
Type: TE
vdkgvwkey: odb://SAS/SAS.dbo.SAS_Docs/dcdea2d4-c288-dd11-92da-001cc4696bcc
Review Markings:
Sheryl P. Walter
Declassified/Released
US Department of State
EO Systematic Review
20 Mar 2014
Markings: Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014